

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Leominster
Contributory Retirement System
For the Three Year Period
January 1, 1999 - December 31, 2001
PERAC 01: 09-047-019**

TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations	2
Statement Of Ledger Assets And Liabilities	3
Statement Of Changes In Fund Balances	4
Statement Of Income	5
Statement Of Disbursements.....	6
Investment Income	7
Statement Of Allocation Of Investments Owned	8
Supplementary Investment Regulations	9
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	10
Note 2 - Significant Accounting Policies.....	11
Note 3 - Supplementary Membership Regulations	12
Note 4 - Administration Of The System	14
Note 5 - Actuarial Valuation And Assumptions	15
Note 6 - Membership Exhibit.....	16

July 7, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Leominster** Retirement System pursuant to G.L. c. 32, §. 21. The examination covered the period from January 1, **1999** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report. Additionally, the Leominster Retirement Board waived their opportunity to submit a written response to this report.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and expresses appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Leominster Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

1. **Accounting Records**

The retirement Board is maintaining two sets of accounting records. A manual set of records is maintained as well as the TACS Accounting System. Keeping two sets of records is not a good accounting practice and it is also an inefficient use of resources.

Recommendation

The Board should discontinue maintaining manual accounting records.

2. **Additional 2%**

During the membership review, the auditor found that individuals with projected annual earnings of less than \$30,000, and actual earnings ultimately exceeding \$30,000, are not having the additional 2% withheld. The payroll system only deducts the additional 2% if the member is coded for the additional 2% and this is only done when **projected** annual earnings are in excess of \$30,000. When members receive salary increases during the year that put them over the \$30,000 threshold, the additional 2% is not being properly withheld.

Recommendation

All individuals with a membership date on or after 1/1/79 should be coded to have the additional 2% deducted. The payroll system will then properly deduct the 2% when weekly earnings exceed \$576.92.

3. **Refunds**

The department head is not completing Section B of the Application for Withdrawal of Accumulated Total Deductions. Therefore, there is no confirmation as to whether the member resigned voluntarily or was terminated involuntarily. This data is critical when determining the amount of interest to be refunded.

Recommendation

The Board must ensure that the department head completes Section B and properly indicates whether the termination was voluntary or involuntary.

Final Determination

PERAC auditors will follow-up in six (6) months to ensure appropriate action has been taken regarding all findings.

Leominster Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
ASSETS	2001	2000	1999
Cash	\$2,213	\$2,213	\$1,635
Short Term Investments	1,287,276	1,337,270	931,650
Fixed Income Securities (at market value)			
Equities	18,207,013	18,866,206	17,346,580
Pooled Short Term Funds			
Pooled Domestic Equity Funds	2,350,664	2,174,359	2,049,241
Pooled International Equity Funds	4,242,840	4,827,522	5,127,767
Pooled Global Equity Funds			
Pooled Domestic Fixed Income Funds	28,209,354	25,998,126	23,570,013
Pooled International Fixed Income Funds			
Pooled Global Fixed Income Funds			
Pooled Alternative Investment Funds			
Pooled Real Estate Funds			
Pooled Domestic Balanced Funds			
Pooled International Balanced Funds			
PRIT Cash Fund	170,519	97,505	301,382
PRIT Core Fund			
Interest Due and Accrued	885	3,861	3,588
Accounts Receivable	0	1,548,780	0
Accounts Payable	0	(1,914,499)	0
TOTAL	<u>\$54,470,764</u>	<u>\$52,941,344</u>	<u>\$49,331,857</u>
FUND BALANCES			
Annuity Savings Fund	\$15,285,935	\$13,855,798	\$13,089,227
Annuity Reserve Fund	4,589,211	4,804,370	4,565,041
Pension Fund	7,994,529	7,842,906	7,687,108
Military Service Fund	11,069	10,863	10,639
Expense Fund	0	0	0
Pension Reserve Fund	26,590,020	26,427,408	23,979,841
TOTAL	<u>\$54,470,764</u>	<u>\$52,941,344</u>	<u>\$49,331,857</u>

Leominster Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1999)	\$12,520,509	\$4,193,355	\$7,639,004	\$10,890	\$46,472	\$21,505,148	\$45,915,378
Receipts	1,645,469	131,919	3,539,524	231	221,592	2,543,225	8,081,960
Interfund Transfers	(771,831)	773,612	67,233	(482)		(68,532)	0
Disbursements	(304,920)	(533,844)	(3,558,652)	<u>0</u>	(268,064)	<u>0</u>	(4,665,481)
Ending Balance (1999)	13,089,227	4,565,041	7,687,108	10,639	0	23,979,841	49,331,857
Receipts	1,786,705	140,952	3,551,750	223	283,202	2,906,310	8,669,143
Interfund Transfers	(685,893)	663,254	481,383			(458,743)	0
Disbursements	(334,241)	(564,877)	(3,877,336)	<u>0</u>	(283,202)	<u>0</u>	(5,059,656)
Ending Balance (2000)	13,855,798	4,804,370	7,842,906	10,863	0	26,427,408	52,941,344
Receipts	1,913,249	140,114	3,722,555	206	304,292	602,338	6,682,754
Interfund Transfers	(252,866)	246,305	446,288			(439,727)	0
Disbursements	(230,245)	(601,578)	(4,017,219)	<u>0</u>	(304,292)	<u>0</u>	(5,153,334)
Ending Balance (2001)	<u>\$15,285,935</u>	<u>\$4,589,211</u>	<u>\$7,994,529</u>	<u>\$11,069</u>	<u>\$0</u>	<u>\$26,590,020</u>	<u>\$54,470,764</u>

Leominster Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Annuity Savings Fund:			
Members Deductions	\$1,580,190	\$1,427,436	\$1,324,462
Transfers from other Systems	56,605	74,643	42,687
Member Make Up Payments and Redeposits	18,156	22,035	19,827
Investment Income Credited to Member Accounts	<u>258,298</u>	<u>262,591</u>	<u>258,492</u>
Sub Total	<u>1,913,249</u>	<u>1,786,705</u>	<u>1,645,469</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>140,114</u>	<u>140,952</u>	<u>131,919</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	72,669	50,350	28,714
Received from Commonwealth for COLA and Survivor Benefits	380,314	348,098	469,348
Pension Fund Appropriation	<u>3,269,571</u>	<u>3,153,302</u>	<u>3,041,462</u>
Sub Total	<u>3,722,555</u>	<u>3,551,750</u>	<u>3,539,524</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>206</u>	<u>223</u>	<u>231</u>
Sub Total	<u>206</u>	<u>223</u>	<u>231</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>304,292</u>	<u>283,202</u>	<u>221,592</u>
Sub Total	<u>304,292</u>	<u>283,202</u>	<u>221,592</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	60,405	68,637	55,515
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	3,916	9,089	3,040
Excess Investment Income	<u>538,017</u>	<u>2,828,584</u>	<u>2,484,670</u>
Sub Total	<u>602,338</u>	<u>2,906,310</u>	<u>2,543,225</u>
TOTAL RECEIPTS	<u>\$6,682,754</u>	<u>\$8,669,143</u>	<u>\$8,081,960</u>

Leominster Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999
Annuity Savings Fund:			
Refunds to Members	\$144,683	\$238,664	\$266,799
Transfers to other Systems	<u>85,562</u>	<u>95,578</u>	<u>38,121</u>
Sub Total	<u>230,245</u>	<u>334,241</u>	<u>304,920</u>
Annuity Reserve Fund:			
Annuities Paid	568,062	559,193	520,408
Option B Refunds	<u>33,515</u>	<u>5,683</u>	<u>13,436</u>
Sub Total	<u>601,578</u>	<u>564,877</u>	<u>533,844</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	2,516,769	2,422,846	2,182,929
Survivorship Payments	160,169	155,788	106,567
Ordinary Disability Payments	31,077	30,561	34,346
Accidental Disability Payments	689,606	688,589	700,189
Accidental Death Payments	198,310	164,754	93,802
Section 101 Benefits	15,246	14,456	26,718
3 (8) (c) Reimbursements to Other Systems	67,822	66,085	68,005
State Reimbursable COLA's Paid	304,261	314,999	326,837
Chapter 389 Beneficiary Increase Paid	<u>33,960</u>	<u>19,258</u>	<u>19,258</u>
Sub Total	<u>4,017,219</u>	<u>3,877,336</u>	<u>3,558,652</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds			
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	37,512	35,771	37,480
Legal Expenses	0	0	0
Medical Expenses	0	0	0
Travel Expenses	1,641	1,528	909
Administrative Expenses	4,075	5,167	3,988
Furniture and Equipment	10,799	3,668	6,688
Management Fees	197,611	192,567	171,618
Custodial Fees	10,655	10,001	14,381
Consultant Fees	<u>27,000</u>	<u>19,500</u>	<u>18,000</u>
Sub Total	<u>304,292</u>	<u>283,202</u>	<u>268,064</u>
TOTAL DISBURSEMENTS	<u>\$5,153,334</u>	<u>\$5,059,656</u>	<u>\$4,665,481</u>

Leominster Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Investment Income Received From:			
Cash	0	523.44	\$0
Short Term Investments	41,024	50,629	31,078
Fixed Income	10,711	0	0
Equities	345,234	428,332	367,213
Pooled or Mutual Funds	<u>1,791,066</u>	<u>1,801,802</u>	<u>940,647</u>
Commission Recapture			
TOTAL INVESTMENT INCOME	<u>2,188,034</u>	<u>2,281,286</u>	<u>1,338,938</u>
Plus:			
Increase in Amortization of Fixed Income Securities	0	0	0
Realized Gains	1,035,870	2,350,953	2,696,885
Unrealized Gains	3,829,737	5,455,349	3,476,520
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>885</u>	<u>3,861</u>	<u>3,588</u>
Sub Total	<u>4,866,491</u>	<u>7,810,163</u>	<u>6,176,992</u>
Less:			
Decrease in Amortization of Fixed Income Securities	0	0	0
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(759,453)	(804,856)	(1,571,451)
Unrealized Loss	(5,050,284)	(5,767,454)	(2,847,575)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(3,861)</u>	<u>(3,588)</u>	<u>0</u>
Sub Total	<u>(5,813,598)</u>	<u>(6,575,897)</u>	<u>(4,419,026)</u>
NET INVESTMENT INCOME	<u>1,240,927</u>	<u>3,515,553</u>	<u>3,096,905</u>
Income Required:			
Annuity Savings Fund	258,298	262,591	258,492
Annuity Reserve Fund	140,114	140,952	131,919
Military Service Fund	206	283,202	221,592
Expense Fund	<u>304,292</u>	<u>223</u>	<u>231</u>
TOTAL INCOME REQUIRED	<u>702,910</u>	<u>686,968</u>	<u>612,235</u>
Net Investment Income	<u>1,240,927</u>	<u>3,515,553</u>	<u>3,096,905</u>
Less: Total Income Required	<u>702,910</u>	<u>686,968</u>	<u>612,235</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$538,017</u>	<u>\$2,828,584</u>	<u>\$2,484,670</u>

Leominster Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$2,213	0.00%	100
Short Term		1,287,276	2.36%	100
Fixed Income		0	0.00%	40 - 80
Equities		18,207,013	33.43%	50
Pooled Short Term Funds		0	0.00%	
Pooled Domestic Equity Funds		2,350,664	4.32%	
Pooled International Equity Funds		4,242,840	7.79%	10
Pooled Global Equity Funds		0	0.00%	
Pooled Domestic Fixed Income Funds		28,209,354	51.79%	
Pooled International Fixed Income Funds		0	0.00%	
Pooled Global Fixed Income Funds		0	0.00%	
Pooled Alternative Investment Funds		0	0.00%	
Pooled Real Estate Funds		0	0.00%	
Pooled Domestic Balanced Funds		0	0.00%	
Pooled International Balanced Funds		0	0.00%	
PRIT Cash Fund		170,519	0.31%	
PRIT Core Fund		0	0.00%	100
GRAND TOTALS	\$0	<u>\$54,469,879</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **Leominster** Retirement System was 2.34%. For the five year period ending December 31, **2001**, the rate of return for the investments of the **Leominster** Retirement System averaged 8.66%. For the 17-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Leominster** Retirement System was 9.89%.

Leominster Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The **Leominster** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

April 9, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities, which shall not exceed 10% of the portfolio valued at market.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Leominster** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Leominster** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 14, 1984

Regularly employed employees who work twenty (20) hours per week, or more, must become members of the Leominster Retirement System.

Temporary or provisional employees filling permanent positions must become members after six (6) months of service.

The Mayor and City Council may elect to become members.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Call Firefighters and Reserve Police Officers may elect to become members.

November 30, 1987

The Leominster Retirement Board will not allow creditable service make-up for performed services of under six (6) months duration from another jurisdiction.

March 5, 1991

Employees appointed to positions must become members upon their effective date of paid employment.

January 6, 1995

Effective October 29, 1989 the regular types of titled specialty pay in the police department are deemed to be regular compensation:

CPR, Suicide; and Breathalyzer Operator pay.

September 23, 1996

The clothing allowance for both police and fire personnel is to be considered regular compensation.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Comptroller who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: John J. Richard

Appointed Member: David R. LaPlante Term Expires: 11/07/05

Elected Member: Paul R. Doig Term Expires: 01/01/06

Elected Member: John F. Picone Term Expires: 06/30/04

Appointed Member: Aldo J. Mazzaferro Term Expires: 01/03/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$30,000,000/1,000,000
Elected Member:)	MACRS Policy
Appointed Member:)	Cray/Dowd Ins Agency
Staff Employee:)	

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting, Inc.** as of **January 1, 2001**.

The actuarial liability for active members was	\$38,885,860
The actuarial liability for inactive members was	392,588
The actuarial liability for retired members was	<u>37,774,947</u>
The total actuarial liability was	77,053,395
System assets as of that date were	<u>52,941,344</u>
The unfunded actuarial liability was	<u>\$24,112,051</u>
 The ratio of system's assets to total actuarial liability was	 68.7%
As of that date the total covered employee payroll was	\$18,178,004

The normal cost for employees on that date was	8.10% of payroll
The normal cost for the employer was	7.60% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$ 52,941,344	\$ 77,053,395	\$ 24,112,051	68.7%	\$ 18,178,004	132.64%
1/1/1998	41,568,408	64,535,171	22,966,763	64.4%	15,253,859	150.56%
1/1/1995	24,577,639	49,024,123	24,446,484	50.1%	11,638,155	210.05%
1/1/1992	19,797,387	42,516,781	22,719,394	46.6%	10,699,612	212.34%

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	8	8	10	21	13	13	13	22	19	6
Ordinary Disability	0	1	0	0	0	0	0	0	0	0
Accidental Disability	0	4	3	1	1	1	1	0	0	0
Total Retirements	8	13	13	22	14	14	14	22	19	6
 Total Retirees, Beneficiaries and Survivors	 313	 316	 323	 334	 336	 337	 342	 359	 366	 358
 Total Active Members	 449	 449	 444	 476	 547	 563	 593	 588	 594	 630
 Pension Payments										
Superannuation	\$1,543,767	\$1,579,999	\$1,597,954	\$1,706,425	\$1,868,883	\$1,904,455	\$1,971,279	\$2,182,929	\$2,422,846	\$2,516,769
Survivor/Beneficiary Payments	75,434	82,947	86,132	84,788	78,880	81,270	105,819	106,567	155,788	160,169
Ordinary Disability	48,442	42,151	37,243	37,243	37,243	30,096	28,625	34,346	30,561	31,077
Accidental Disability	460,267	553,574	646,793	684,143	691,019	665,851	680,046	700,189	688,589	689,606
Other	<u>478,173</u>	<u>449,652</u>	<u>479,147</u>	<u>496,610</u>	<u>511,704</u>	<u>553,715</u>	<u>522,241</u>	<u>534,621</u>	<u>579,552</u>	<u>619,599</u>
Total Payments for Year	<u>\$2,606,083</u>	<u>\$2,708,323</u>	<u>\$2,847,269</u>	<u>\$3,009,209</u>	<u>\$3,187,729</u>	<u>\$3,235,387</u>	<u>\$3,308,010</u>	<u>\$3,558,652</u>	<u>\$3,877,336</u>	<u>\$4,017,219</u>